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**Subcommittee on Financial Institutions and Consumer Credit Markup of “H.R. 627, the Credit Cardholders’ Bill of Rights Act of 2009”**

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**Statement of Rep. Luis V. Gutierrez**

With more than 640 million credit cards in circulation that account for an estimated \$1.5 trillion of consumer spending, the U.S. economy has clearly gone plastic. But America’s love affair with credit cards comes with a hefty price. The average credit card debt among American households has more than doubled over the past decade. Today, the average family owes roughly \$8,000 on their credit cards. This debt has helped generate record profits for the credit card industry.

Unfortunately, a growing share of the industry's revenues come from deceptive tactics, such as universal default terms spelled out in the fine print of cardholder agreements -- the terms and conditions of which can be changed at any time for any reason with 15 days' notice. Penalty fees and rates are sometimes triggered by just a single lapse -- a payment that arrives a couple of days or even hours late, or a charge that exceeds the credit line by a few dollars. These floods of unexpected fees and rate hikes tend to come just when consumers can least afford them.

In 2008, this Committee led the Congress in drawing a line against these kinds of business practices by approving tough but common-sense consumer protection measures for credit card borrowers. This legislation, appropriately titled the Credit Cardholders’ Bill of Rights, was approved in the House by a wide majority but was unfortunately not taken up by the Senate. The reintroduction of this legislation in the form of H.R. 627 in the 111th Congress and our consideration of the bill today are signs that this Congress is committed to American consumers who demand common-sense, consumer-oriented laws in a time of economic recession.

Today, Americans are suffering from rising unemployment rates, dramatically falling household wealth and declining real wages, all of which make it harder for consumers to pay off credit card debt. In fact, in 2008, we saw the percentage of accounts 30 days past due rise to an all-time high of 5.6 percent. And on average, American families owe 24 percent of their income in credit card debt.

These are daunting figures in an unstable time; but Congress can and must do something about it, by making sure that unfair credit card practices and fees do not deter consumers from paying down their debt.

Among its many consumer protections, H.R. 627 would prohibit unreasonable interest rate increases by preventing credit card companies from arbitrarily increasing interest rates on existing balances. Additionally, it would end unfair “double-cycle” billing, meaning that credit card companies could not charge interest on debt consumers have already paid on time.

The legislation also requires fair allocation of consumer payments, banning the practice of crediting a consumer’s payments to low-interest debt first, thus ensuring that the highest yielding debt for the issuer remains on the books the longest. In addition, the Credit Cardholders’ Bill of Rights protects vulnerable consumers from high-fee subprime credit cards by preventing those fees from being charged to the card itself. This is an important provision for minority consumers, many of whom are twice as likely to have an APR over 20 percent.

We begin this markup with the knowledge that the Federal Reserve has mandated new regulations that mirror many of the protections included H.R. 627. I applaud the Board for its work on the UDAP and Regulation Z changes, but I believe that this Congress should codify these important consumer protections to send the message to the industry and consumers that Congress is serious about standing up for consumer rights.

Finally, I applaud Congresswoman Maloney for her tenacity in keeping this common-sense legislation on the table so that Congress can do its job and protect consumers in an unstable economy.